

Message Text

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ACTION EB-07

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TAGS: ECON, EG

SUBJECT: INDUSTRY MINISTER STRESSES NEED FOR HIGHER PRICES

REF: CAIRO 296

1. IN WIDE-RANGING, EXCLUSIVE INTERVIEW WITH CAIRO DAILY AL-GUMHURIYYA JANUARY 6 MINISTER OF INDUSTRY ISSA SHAHEEN MADE SEVERAL IMPORTANT STATEMENTS ABOUT FUTURE COURSE OF EGYPTIAN ECONOMY (SEE ALSO REFTEL). SHAHEEN'S INTERVIEW RECEIVED BANNER HEADLINES WITH HIS APPARENT CRITICISM OF GOE PRICING POLICIES AND STRESS ON NEED FOR HIGHER PRICES GENERALLY. INCREASING PRODUCTION AND WAGE COSTS, HE EXPLAINED, ARE THREATENING TO BANKRUPT EGYPTIAN INDUSTRY (REFERRING TO PUBLIC SECTOR) BECAUSE OF GOVERNMENT'S POLICY OF PREVENTING PRICE INCREASES. WAGE BILL (FOR PUBLIC SECTOR), FOR EXAMPLE, SHAHEEN SAID HAD GONE FROM LE 121 MILLION IN 1974 TO LE 218 MILLION IN 1975 BUT GOVERNMENT ALLOWED COMPANIES NO INCREASES IN PRICES FOR PRODUCTS. PRICE RISES MUST COME, SHAHEEN PREDICTED, FOR COMMODITIES LIKE CARS, REFRIGERATORS, TELEVISIONS AND CIGARETTES. HE EMPHASIZED THAT PRICES OF BASIC COMMODITIES USED BY ENTIRE POPOULATION SHOULD BE KEPT STRICTLY CONTROLLED BUT DID NOT SPECIFY WHAT THESE

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COMMODITIES SHOULD BE. OTHER ITEMS, WHILE THEY SEEM NECESSARY, ARE NEEDED ONLY BY CERTAIN CLASS AND THAT CLASS CAN AFFORD TO PAY AT LEAST COST OF PRODUCTION.

2. SHAHEEN IDENTIFIED NEW PRIVATE SECTOR MIDDLE CLASS AND EGYPTIANS LIVING ABROAD AS VERY IMPORTANT CONSUMER MARKET OF UNKNOWN SIZE. SHAHEEN SAID PRICES ON MANUFACTURED AND

LUXURY GOODS MUST BE RAISED IN ORDER TO KEEP THIS CLASS FROM WASTING RESOURCES OF THE STATE BY CONSUMING GOODS AT PRICES BELOW PRODUCTION COST. THEY CAN PAY HIGHER PRICES, SHAHEEN SAID, AND THEY SHOULD.

3. SHAHEEN ADMITTED THAT MAJOR PROBLEM WITH CHANGE IN PRICING POLICY IS DECISION ON WHICH GOODS WILL BE INCREASED IN PRICE. HE SAID THIS IS NOT ONLY CABINET DECISION, PEOPLES ASSEMBLY MUST PARTICIPATE. SHAHEEN LEFT NO DOUBT, HOWEVER, THAT PRICES MUST RISE ON MANY GOODS CONSUMED BY MIDDLE AND UPPER CLASSES. AS FURTHER EVIDENCE TO SUPPORT HIS ATTACK ON GOVERNMENT PRICING POLICY, SHAHEEN SAID THAT, WHILE PRODUCTIVITY IN THE INDUSTRIAL SECTOR HAD INCREASED 12 PERCENT IN 1976 (THIS IS FIRST WE HAVE SEEN SUCH FIGURE), RETURN TO GOVERNMENT ON ITS INVESTMENT DECREASED FOR THIRD YEAR IN A ROW. GOVERNMENT'S INVESTMENT RETURN IN 1974 WAS 8.3 PERCENT AND DECREASED TO 6.4 PERCENT IN 1975 BECAUSE OF GOVERNMENT PRICING/SUBSIDY POLICY.

4. ON IMPORT POLICY SHAHEEN SAID THAT ANYONE WHO HAS HARD CURRENCY ABROAD AND WHO WOULD LIKE TO IMPORT GOODS SHOULD BE ENCOURAGED TO DO SO. THIS WOULD ALLOW THOSE WHO DO NOT HAVE FX TO PURCHASE SIMILAR GOODS PRODUCED IN EGYPT.

5. SHAHEEN SAID THAT EGYPT'S ONLY HOPE FOR DEVELOPMENT IS INDUSTRY. POOR STATE OF INFRASTRUCTURE AND SERVICES, HOWEVER, THREATENS TO IMPEDE INDUSTRIAL ADVANCEMENT. IN 1977 BUDGET, THEREFORE, GOVERNMENT WILL CONCENTRATE ON IMPROVEMENT OF INFRASTRUCTURE AND ON FURTHERING LIMITED OFFICIAL USE

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PROJECTS ALREADY BEGUN. IN 1978 EXPANSION IN INDUSTRY WILL START.

6. COMMENT: ALTHOUGH HE HAS BEEN FREQUENTLY CRITICIZED FOR HIS POOR PERFORMANCE IN OFFICE, SHAHEEN IS THE MOST DURABLE MEMBER OF EGYPT'S ECONOMIC ESTABLISHMENT, HAVING BEEN MINISTER OF INDUSTRY SINCE APRIL 19, 1975. HE RARELY MAKES PUBLIC STATEMENTS AND IS NOT NOTED FOR INDEPENDENT CAST OF MIND. HIS INTERVIEW THEREFORE LOOKS LIKE FREQUENTLY-USED TECHNIQUE OF TRIAL GOE BALLOON, FLOATED IN THIS INSTANCE TO TEST REACTION OF POPULACE TO POSSIBLE RANGE OF PRICE INCREASES AND GENERAL ECONOMIC POLICY CHANGES THAT ARE IN OFFING, SUCH AS IMF REFORM PACKAGE. PUBLIC REACTION TO SUCH TESTS HAS BEEN USED BY SALEM GOVERNMENT PREVIOUSLY AS IMPORTANT ELEMENT IN ECONOMIC DECISION-MAKING PROCESS.

EILTS

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